Session #2

Direct Loan Programmatic Primer

Virginia Hagins
Pam Moran
Sarah Utz
What a Difference a Year Makes

Number of Loans

2007-08
- DL: 19%
- FFEL Not ED Owned: 79%

2008-09
- DL: 26%
- FFEL Not ED Owned: 18%
- FFEL ED Owned: 56%
## DIRECT LOAN – FFEL PROGRAM STATISTICS

<table>
<thead>
<tr>
<th></th>
<th>2007-2008</th>
<th>2008-2009</th>
<th>2009-2010 (To Be Added)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Schools</strong></td>
<td>1,224</td>
<td>1,735</td>
<td>1,880</td>
</tr>
<tr>
<td><strong>Loans</strong></td>
<td>3,317,000</td>
<td>5,412,766</td>
<td>5,513,182</td>
</tr>
<tr>
<td><strong>Dollars</strong></td>
<td>$13.1 B</td>
<td>$20.9 B</td>
<td>$12.4 B</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2007-2008</th>
<th>2008-2009</th>
<th>2009-2010 (To Be Added)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Schools</strong></td>
<td>4,621</td>
<td>4,424</td>
<td>3,848</td>
</tr>
<tr>
<td><strong>Loans</strong></td>
<td>13,388,034</td>
<td>15,229,602</td>
<td>7,911,666</td>
</tr>
<tr>
<td><strong>Dollars</strong></td>
<td>$55.5 B</td>
<td>$61.1 B</td>
<td>$17.9 B</td>
</tr>
</tbody>
</table>
### 2008-09 ECASLA Loan Purchase Statistics*

<table>
<thead>
<tr>
<th></th>
<th>Total FFEL Loans Made</th>
<th>FFEL Loans Sold to ED</th>
<th>Percent Sold to ED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>15,229,602</td>
<td>11,591,588</td>
<td>76.1%</td>
</tr>
<tr>
<td>Dollars</td>
<td>$61,160,183,858</td>
<td>$46,252,966,517</td>
<td>75.6%</td>
</tr>
</tbody>
</table>

*Does not include Consolidation Loans
## 2008-2009 ED Owned Loans

<table>
<thead>
<tr>
<th>ALL LOANS MADE</th>
<th>DIRECT LOAN</th>
<th>FFEL PURCHASED BY ED</th>
<th>TOTAL LOANS OWNED BY ED</th>
<th>% OWNED BY ED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>20,642,368</td>
<td>5,412,766</td>
<td>11,591,588</td>
<td>17,004,354</td>
</tr>
<tr>
<td>Dollars</td>
<td>$82.1 Billion</td>
<td>$20. 9 Billion</td>
<td>$46. 3 Billion</td>
<td>$67.2 Billion</td>
</tr>
</tbody>
</table>
William D. Ford
Federal Direct Loan Program
Roles and Responsibilities

- **Schools**
  - Certify eligibility
  - Educate borrowers about their responsibilities
  - Send/receive financial and student data to/from Federal Student Aid
  - Deliver proceeds
  - Funds management and reconciliation
Roles and Responsibilities

• **Federal Student Aid** provides operational, system, and service support to *schools*
  – School Eligibility
  – Funding
  – Reconciliation/Closeout
  – Communications/Publications
Roles and Responsibilities

- **Federal Student Aid** also provides operational, system, and service support to *borrowers*
  - Loan Servicing
  - Software/Web-based services
  - Customer Service
# Annual Loan Limits

<table>
<thead>
<tr>
<th>Year</th>
<th>Dependent Undergraduate</th>
<th>Independent Undergraduate And Dep. Undergrad whose parent can’t borrow PLUS</th>
<th>Graduate/Professional Student</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>$5,500 (maximum $3,500 subsidized)</td>
<td>$9,500 (maximum $3,500 subsidized)</td>
<td>Up to $20,500 each academic year (maximum $8,500 subsidized)</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>$6,500 (maximum $4,500 subsidized)</td>
<td>$10,500 (maximum $4,500 subsidized)</td>
<td></td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt; and Beyond</td>
<td>$7,500 (maximum $5,500 subsidized)</td>
<td>$12,500 (maximum $5,500 subsidized)</td>
<td></td>
</tr>
</tbody>
</table>
# Interest Rates

## Direct Subsidized Loans for Undergraduate Borrowers

<table>
<thead>
<tr>
<th>1st Disbursed On or After</th>
<th>And Before</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2009</td>
<td>July 1, 2010</td>
<td>5.6%</td>
</tr>
<tr>
<td>July 1, 2010</td>
<td>July 1, 2011</td>
<td>4.5%</td>
</tr>
<tr>
<td>July 1, 2011</td>
<td>July 1, 2012</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

| All Other Direct Subsidized and Unsubsidized Loans | 6.8%          |

| Direct PLUS for Parents and Grad/Professional Students | 7.9%          |

| Direct Consolidation | Weighted Average 8.25% Cap |
### Direct Subsidized and Unsubsidized Loans

<table>
<thead>
<tr>
<th>First Disbursed On or After</th>
<th>Origination Fee</th>
<th>Up-front Interest Rebate</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2009 and before July 1, 2010</td>
<td>1.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>July 1, 2010 and beyond</td>
<td>1.0%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

PLUS fees remain at 4.0% with an upfront interest rebate of 1.5%
Benefits

• Grace period
• Forbearance
• Deferment

• Public Service forgives remaining balance on certain loans after 120 on-time payments

• No Accrual of Interest Benefit for Active Duty Service Members (up to 60 months) for DL borrowers serving in an area of hostilities
Repayment Options

- Standard Repayment
- Extended Fixed/Extended Graduated Repayment
- Graduated Repayment Plan
- Income-Contingent Repayment (ICR)
- Income-Based Repayment (IBR)
COD Processing

ISIR → Central Processing System (CPS) → FAFSA
SAR

COD

ISIR

Originations, Disbursements & Paper MPNs Responses

COD

Funding Data and Payment Requests

GAPS

Funding Request Money

Servicers

Repayment/Servicing

Loans and Disbursements

NSLDS

GAPS

Student Data

Electronic Counseling

e-MPN

Loans and Disbursements Enrollment Status
Common Origination and Disbursement (COD) System

• COD is a student-centric
  – Pell, ACG, SMART, TEACH, DL
• School sends information to COD
• COD processes/edits and returns response
Submitting Records to COD

• Batch
  – Via SAIG mailbox
  – Picked up by periodic “sweeps”
  – Typically transmits many student records

• Online at COD website
  – Transactions almost “real time”
  – Involves one student record at a time
Direct Loan Processing Cycle

- Originate
- Servicing
- Disburse
- Promissory Note
Loan Origination

• Direct Loan Originates and FFEL Certifies
  – Loan Origination Record (LOR) contains Person data + DL Award + Disbursement data (amounts and dates)
  – Anticipated or actual disbursements must equal the award amount

• COD response
  – Indicates if records were accepted or rejected
    • Edit codes tell what is wrong
  – Provides status and expiration date of the MPN
PLUS Loan Credit Check

• COD Completes upon receipt of origination
  – PLUS MPN includes authorization
• Online Credit check, with signed authorization
PLUS Credit Check

- No Adverse Credit
- Adverse Credit options
  - Stop PLUS process
  - Obtain an endorser
  - Appeal to COD due to extenuating circumstances
PLUS Loan Endorser

• COD mails “endorser addendum” with denial packet
• Borrower locates someone willing to endorse the loan
• Endorser completes and signs addendum
• Borrower returns addendum to MPN processor
• Credit check for endorser
New March 2010

Welcome to MyDirectLoan

- Access your loan documentation
- Complete Direct Loan Entrance Counseling
- Complete your Master Promissory Note
- Complete your Direct PLUS Application
- Endorse a Direct PLUS Loan

Announcements
- Updated information available for TEACH grant
- Direct Loan interest rates effective July 1, 2009
- New TEACH grant Exit counseling sessions now available

Understand
- What you Need
- What to Expect
- Direct Loan Overview

Before You Start
- Apply for PIN
- Submit a FAFSA

Follow-up
- Financial Aid History
- Loan Repayment
- Consolidate Loans
  - Exit Counseling

Sign In
Please use your PIN to sign in or
Why am I signing in?

Direct Loan Training Suite – Programmatic Primer
Direct Loan Processing Cycle

- Servicing
- Originate
- Disburse

Promissory Note
School Options for MPN

- Multi-year vs. Single-year
- Electronic vs. Paper
- COD Print vs. School Print (with paper)
eMPN

- Benefits
- School options
- eMPN simulations
New March 2010

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- Exit Counseling
Paper MPN

- Printing options
- Submitting paper MPNs to MPN processor
  - Direct from student
  - Via school
    - Manifest
    - Sub/Unsub batched separately from PLUS
MPN Responses

- Linked MPNs
- Pending MPNs—“X”
  - If no award for the student in COD
- New response for each status and expiration date change
Linking MPNs to Loans

• New loan awards linked to active MPNs
• If more than one MPN is active, COD links to one with greatest expiration date
Entrance & Exit Counseling

• Through March 2010 - online counseling at the Direct Loan Servicing Web Site
  www.dl.ed.gov

• Entrance Counseling materials available
  www.fsapubs.org
  - Brochures
  - Entrance Counseling Guide
  - Direct Loan Videos

• Entrance & Exit Counseling reports available
Direct Loan Processing Cycle

- Originate
- Servicing
- Disburse

Promissory Note
Disbursements

• MPN in place before disbursing
• Disbursements for loans without an accepted MPN will reject
• Report Disbursements within 30 days
  – Actual disbursement date
  – Disbursement amount
  – 30-Day Warning Report
Borrower’s Right to Cancel

• School must honor request
  – Affirmative confirmation: within 14 days
  – No affirmation: within 30 days

• School option after those deadlines provided it is within 120 days of disbursement date

• After 120 days, or schools denial
  – Borrower repays & is responsible for any fees/interest

• To cancel a loan in COD, reduce loan amount and disbursement amounts to $0.
Returning Funds on Borrower’s Behalf

- When returning funds on behalf of the borrower, the school **must** send funds to DLSC if more than 120 days have passed since the date of disbursement.
- Send as payment on loan.
- Include borrower name, loan ID and loan amount being returned on school’s check to COD.

U.S. Department of Education
Attention: Payment Center
P.O. Box 530260
Atlanta, GA 30353-0260
Funds

• Current Funding Level (CFL)

• Drawdowns

• Excess Cash
Funding

• Schools receive initial Current Funding Level (CFL)
• Funding Method – Advance Cash
• May request funds from G5 before/after disbursing aid
• School submits Actual Disbursement Records to COD to substantiate drawdown within 30 days
• **www.g5.gov**

• Schools use the G5 System to:
  – View current funding information
  – Return cash
  – Request payments and adjust drawdowns
G5

- Schools should contact G5 when:
  - They need to add a new bank acct.
  - They need to designate which acct. they will use

- Contacting G5
  1-888-336-8930
Funding

• Schools request funds from G5
• Transmission of funds to the school
  – ACH (Automated Clearinghouse)
  – FEDWIRE
Funds That Must be Returned

- Excess Cash
- Overpayment of DL funds
- Borrower wishes to cancel all or part of loan
  - Within 120 days of Disbursement

Remember to update COD!
Returning DL Funds

• Return funds via either
  – G5 (preferred) or
  – By mail to COD School Relations Center
    – Include a completed Direct Loan Refunds of Cash form

• DLB-08-01
Returning Funds Using G5

Refunds to Open Awards

Select an award by entering a refund amount. When you are finished entering refund amounts, click the 'Add Refund Amounts to Selected Refund List' button. Browse through available open awards to refund by using the buttons below or jump to a specific award by selecting the range that contains the award. Refunds are displayed alphabetically by PR Award Number. Site will timeout after 10 minutes of inactivity.

<table>
<thead>
<tr>
<th>PR Award Number</th>
<th>Net Draw</th>
<th>Refund Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>P268K085352</td>
<td>$661,000.00</td>
<td>$</td>
</tr>
<tr>
<td>P268K095954</td>
<td>$212,000.00</td>
<td>$17,000.00</td>
</tr>
<tr>
<td>P268K095956</td>
<td>$168,000.00</td>
<td>$</td>
</tr>
</tbody>
</table>

Add Refund Amounts to Selected Refund List

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Reconciliation
Reconciliation

• What is it?

• What do I do?

• Why is it important?
Reconciliation

• Schools must reconcile each month
• Similar to balancing a checkbook
• Use reports to research and determine timing differences between COD and School
DL Reconciliation

• Monthly activity
  – School reconciles internally, FAA and Business offices
  – School reconciles externally with COD
    • Reconcile cash, loan summary, and loan detail
  – Document your reconciliation

• Aids to Reconciliation
  – COD screens and reports
  – School Account Statement (From COD)
  – Direct Loan Tools Software (FSA Download site)
  – COD Reconciliation specialists
Program Year Closeout
Program Year Closeout

• What *is* it?

• What do *I* do?

• Why *is* it important?
Program Year Closeout

- Process is complete when:
  - School and COD show a cash balance of $0 and
  - All COD records match all school DL records and business office system transactions
  - School Account Statement (SAS) reflects a $0 unbooked balance
Direct Loan Processing Cycle

- Originate
- Servicing
- Disburse
- Promissory Note
Servicing Future

• Current Servicer:
  – ACS

• Four Additional Servicers:
  – Great Lakes Education Loan Services
  – Nelnet
  – Sallie Mae Corporation
  – AES / PHEAA
Servicing Future

• July 15, 2010
  – Allocations of new borrower loan volume

• August 31, 2010
  – Additional Servicers fully operational to handle Direct Loans
Servicing Future

- Servicers comply with all legislative and regulatory requirements and unique best in business services
- Borrower’s loans with one Servicer
- Schools work with Multiple Servicers
Tools & Resources
School Web sites

• COD Web site

• Direct Loan Web site

• Federal Student Aid Information
School Call Centers

- **COD School Relations Center**
  - 800-848-0978

- **Direct Loan Servicing-School Services**
  - 888-877-7658

- **Direct Loan Consolidation Center**
  - 800-557-7392
School Publications

• Direct Loan School Guide
• Code of Federal Regulations
• Federal Student Aid Handbook
• COD Technical Reference
  – Implementation Guide
• Blue Book
• NSLDS Enrollment Reporting Guide
Borrower Web sites

- **Federal Student Aid Information**

- **Direct Loan Servicing Center – Borrower Services**

- **Direct Loan Consolidation Center**

- **Federal Student Aid Ombudsman**
Borrower Call Centers

• Federal Student Aid Information  
  – (800) 433-7327

• COD School Relations-Applicant Services  
  – (800) 557-7394
Borrower Call Centers (Continued)

- **Direct Loan Servicing Center – Borrower Services**
  – (800) 848-0979
- **Direct Loan Consolidation Center**
  – (800) 557-7392
- **Federal Student Aid Ombudsman**
  – (877) 557-2575
Additional Assistance for Schools

DLenrollment_fsa@ed.gov
Thank you!